

**Biodiem Ltd**  
ABN: 20 096 845 993

**ASX Preliminary final report ~ June 30, 2009**

**Lodged with the ASX under ASX Listing Rule 4.3A**

This report is to be read in conjunction with any public announcements made by the company during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

**Contents**

Announcement to the market

Other Appendix E information

Commentary on results for the period

Status of Audit

Financial report

## BioDiem Limited

ABN: 20 096 845 993

Reporting period: 12 months ended June 30, 2009

Previous period 12 months ended June 30, 2008

### Results to be announced to the market

		<b>A\$'000</b>
Revenue from ordinary activities	Up 167.41%	2,993
(Loss) from ordinary activities	Down 66.27%	(1,514)
Net (loss) for the year attributable to members	Down 66.15%	(1,514)

### Dividends

It is not proposed to pay a dividend

<b>Other information</b>	<b>June 30, 2009</b>	<b>June 30, 2008</b>
Net tangible assets per ordinary share	<b>5.20 cents</b>	<b>7.11 cents</b>

**This preliminary final report is based on accounts which are in the course of being audited.**

The audit report will be made available when the company lodges its complete Directors' and Financial Report.

Comment.

- During the year, the Company received two milestones payments amounting to USD\$2m from its development partner Nobilon International.
- Research and Development expenses were down to \$2.4m from \$3.3m due to the timing of particular research activities in the previous year.
- Administration costs were \$0.5m lower mainly due to a reduction in personnel numbers.

**BioDiem Ltd**  
**Income statement**  
**For the year ended 30 June 2009**

	Note	2009 \$	2008 \$
Revenue from licensing activities	6	2,992,850	1,119,407
Licence fees and royalty expenses		(575,744)	(223,881)
<b>Gross profit</b>		2,417,106	895,526
Research and development expenses		(2,388,462)	(3,529,332)
Administration expense		(1,622,656)	(2,091,805)
<b>Loss from operating activities</b>		(1,594,012)	(4,725,611)
Finance income	7	164,096	333,417
Finance expenses	7	(83,826)	(78,312)
<b>Net finance income / (expenses)</b>		80,270	255,105
<b>Loss before income tax</b>		(1,513,742)	(4,470,506)
Income tax benefit / (expense)	10(a)	-	-
<b>Net loss attributable to equity holders</b>	17(a)	(1,513,742)	(4,470,506)
<b>Basic earnings per share</b>	22	(1.98) cents	(6.69) cents
<b>Diluted earning per share</b>	22	(1.98) cents	(6.69) cents

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 7 to 32.

**BioDiem Ltd**  
**Statement of changes in equity**  
**For the year ended 30 June 2009**

	Note	Issued capital \$	Share based compensation reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2007	17(a)	15,194,894	176,301	(12,688,146)	2,683,049
Loss attributable to equity holders		-	-	(4,470,506)	(4,470,506)
Equity settled share based compensation (net of tax)		163,947	48,700	-	212,647
Proceeds from issue of shares		7,000,000	-	-	7,000,000
		22,358,841	225,001	(17,158,652)	5,425,190
Balance at 1 July 2008	17(a)	22,358,841	225,001	(17,158,652)	5,425,190
Loss attributable to equity holders		-	-	(1,513,742)	(1,513,742)
Equity settled share based compensation (net of tax)		50,000	25,946	-	75,946
Balance at 30 June 2009	17(a)	22,408,841	250,947	(18,672,394)	3,987,394

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 7 to 32.

**BioDiem Ltd**  
**Balance sheet**  
**As at 30 June 2009**

	Note	2009 \$	2008 \$ Restated*
<b>Current assets</b>			
Cash and cash equivalents	11	3,991,899	5,593,358
Trade and other receivables	12	46,260	75,358
Other assets	13	15,461	48,260
<b>Total current assets</b>		<u>4,053,620</u>	<u>5,716,976</u>
<b>Non-current assets</b>			
Plant and equipment	14	8,209	15,088
<b>Total non-current assets</b>		<u>8,209</u>	<u>15,088</u>
<b>Total assets</b>		<u>4,061,829</u>	<u>5,732,064</u>
<b>Current liabilities</b>			
Trade and other payables	15	45,239	290,241
Employee benefits	16(a)	22,724	7,340
<b>Total current liabilities</b>		<u>67,963</u>	<u>297,581</u>
<b>Non-current liabilities</b>			
Employee benefits	16(a)	6,472	9,293
<b>Total non-current liabilities</b>		<u>6,472</u>	<u>9,293</u>
<b>Total liabilities</b>		<u>74,435</u>	<u>306,874</u>
<b>Net assets</b>		<u>3,987,394</u>	<u>5,425,190</u>
<b>Equity</b>			
Issued capital	17(a)	22,408,841	22,358,841
Share based compensation reserve	17(a)	250,947	225,001
Accumulated losses	17(a)	(18,672,394)	(17,158,652)
<b>Total equity</b>	17(a)	<u>3,987,394</u>	<u>5,425,190</u>

\* Comparative restated to reflect consistent presentation of current year figures.

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 7 to 32.

**BioDiem Ltd**  
**Statement of cash flows**  
**For the year ended 30 June 2009**

	Note	2009 \$	2008 \$ Restated*
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		2,992,850	1,119,407
Cash payments in the course of operations		(4,693,647)	(5,718,826)
Interest received		183,164	322,186
Income tax paid		-	-
<b>Net cash provided by / (used in) operating activities</b>	18(b)	<u>(1,517,633)</u>	<u>(4,277,233)</u>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		-	(10,659)
<b>Net cash used in investing activities</b>		<u>-</u>	<u>(10,659)</u>
<b>Cash flows from financing activities</b>			
Proceeds from shares issued		-	7,000,000
<b>Net cash provided by financing activities</b>		<u>-</u>	<u>7,000,000</u>
<b>Net increase / (decrease) in cash and cash equivalents held</b>		(1,517,633)	2,712,118
<b>Cash and cash equivalents at beginning of year</b>		5,593,358	2,959,552
<b>Effect of exchange rate fluctuation on cash held</b>		(83,826)	(78,312)
<b>Cash and cash equivalents at end of year</b>	11, 18(a)	<u><u>3,991,899</u></u>	<u><u>5,593,358</u></u>

\* Comparative restated to reflect consistent presentation of current year figures.

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 7 to 32.

**BioDiem Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2009**

**1 Reporting entity**

BioDiem Limited (the “Company”) is a company domiciled in Australia. The address of the Company’s registered office is Level 10, 459 Collins Street, Melbourne, Victoria 3000. This annual financial report of the Company is for the financial year ended 30 June 2009. The Company operates in the biopharmaceutical industry developing and commercialising biomedical research.

**2 Basis of preparation**

**(a) Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Company also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on 18 August 2009.

**(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis except for share-based payment transactions measured at fair value and where noted in these financial statements. The method used to measure fair values is discussed further in note 4.

**(c) Going Concern**

Despite the loss of \$1.514 million (2008: \$4.471 million) for the financial year ended 30 June 2009, the Directors have prepared the annual financial report on the going concern basis under which assets are assumed to be realised and liabilities extinguished in the ordinary course of business. The going concern basis is considered appropriate since the net assets of the Company are \$3.987 million (2008: \$5.425 million), which includes cash and cash equivalent assets of \$3.992 million (2008: \$5.593 million). Based on management’s current forecasts and taking into account discretionary expenditures, the balance of cash and cash equivalents is sufficient to fund the company’s ongoing operations for at least 12 months from the date of approval of these financial statements.

**(d) Use of estimates and judgments**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

**BioDiem Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2009**

**2 Basis of preparation (continued)**

**(d) Use of estimates and judgments (continued)**

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 10(c) – utilisation of tax losses
- Note 16(c) – measurement of share-based payments

**3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**(a) Foreign currency transactions**

Transactions in foreign currencies are translated to Australian dollars (the Company's functional currency), at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the income statement in the financial year in which the exchange rates change.

**(b) Financial instruments**

**(i) Non-derivative financial instruments**

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits.

Accounting for finance income and expense is discussed in note 3(j).

**BioDiem Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2009**

**3 Significant accounting policies (continued)**

**(b) Financial instruments (continued)**

*Held-to-maturity investments*

If the Company has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related tax effects.

**(c) Plant and equipment**

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

(ii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

	<b>2009</b>	<b>2008</b>
• Plant and equipment	33%	33%
• Furniture and fittings	20%	20%

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

**(d) Research and development**

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

**BioDiem Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2009**

**3 Significant accounting policies (continued)**

**(e) Impairment**

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use or its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

**(f) Employee benefits**

(i) Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as a personnel expense in the income statement when they are due.

**BioDiem Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2009**

**3 Significant accounting policies (continued)**

**(f) Employee benefits (continued)**

(ii) Other long-term employee benefits

The Company's net obligation in respect of long service employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on costs; that benefit is discounted to determine its present value.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iv) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(v) Share-based payment transactions

The grant date fair value of options granted to employees ("equity settled share based payments") is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

(vi) Director share-based compensation

Directors may elect to have directors fees issued in the form of shares. In the event a director selects this option, the entitlement is accounted for on a basis consistent with other equity settled share based payments.

**(g) Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**BioDiem Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2009**

**3 Significant accounting policies (continued)**

**(h) Revenue**

**(i) Licensing fees**

Licensing fees derived from the grant of rights to exploit certain master donor strains are recognised by reference to the stage of completion at the transaction date. This is expected to be when the milestone events outlined in the contract have occurred.

No revenue is recognised unless the outcome of a transaction can be estimated reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the stage of completion can be measured reliably, and costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

**(ii) Grant revenue**

Unconditional government grants are recognised in profit or loss as other income when the grant becomes receivable. Any other government grant is recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and the entity will comply with the conditions attaching to it. Grants that compensate the entity for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

**(i) Lease payments**

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

**(j) Finance income and expenses**

Finance income comprises interest income on funds invested and foreign currency gains derived through foreign currency denominated transactions that are recognised in the income statement. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise any interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses derived through foreign currency denominated transactions, and impairment losses recognised on financial assets that are recognised in the income statement. All borrowing costs are recognised in profit or loss using the effective interest method.

**BioDiem Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2009**

**3 Significant accounting policies (continued)**

**(k) Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to any investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. The Company recognises deferred tax assets arising from unused tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

**(l) Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**BioDiem Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2009**

**3 Significant accounting policies (continued)**

**(m) Earnings per share**

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

**(n) Segment reporting**

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Company solely operates in the biopharmaceutical industry developing and/or commercialising biomedical research. The operations are predominantly in Australia.

**(o) New standards and interpretations not yet adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report:

- Revised AASB 3 Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Company's 30 June 2010 financial statements. The Company has not yet determined the potential effect of the revised standard on the Company's financial report.
- AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Company's 30 June 2010 financial statements, and is not expected to have an effect on the financial results of the Company as the standard is only concerned with disclosures.
- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Company's 30 June 2010 financial statements. The Company has not yet determined the potential effect of the revised standard on the Company's disclosures.

**BioDiem Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2009**

**3 Significant accounting policies (continued)**

**(o) New standards and interpretations not yet adopted (continued)**

- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Company's 30 June 2010 financial statements, and is not expected to have any effect on the financial report.
- AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payment: Vesting Conditions and Cancellations changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Company's 30 June 2010 financial statements. The Company has not yet determined the potential effect of the amending standard on the Company's financial report.

**4 Determination of fair values**

The Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities in certain circumstances which are noted in the financial statements. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**(i) Trade and other receivables**

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

**(ii) Non-derivative financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**(iii) Share-based payment transactions**

The fair value of employee stock options is measured using the Black-Scholes formula. Measurement inputs include share price on grant date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

**BioDiem Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2009**

**5 Financial risk management**

(i) Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

(ii) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and bank deposits.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which customers operate influences credit risk. Approximately 95 percent (2008: 77 percent) of the Company's earnings are attributable to transactions with one customer, a global company that is geographically diverse.

Investments

The Company limits its exposure to credit risk by investing deposits in reputable Australian banks.

Guarantees

Company policy is to provide financial guarantees to facilitate rental obligations. Details of outstanding guarantees are provided in note 19(d).

**BioDiem Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2009**

**5 Financial risk management (continued)**

(iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(iv) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The Company does not enter into derivatives in order to manage market risks.

(vii) Currency risk

The Company is exposed to currency risk on licensing revenue and certain research and development and royalty costs that are denominated in a currency other than Australian dollar (AUD). The currencies in which these transactions primarily are denominated are USD, Euro, GBP and Russian Rouble (RUB).

The Company does not enter into hedge contracts on foreign currency exposures.

(viii) Interest rate risk

The Company does not currently have any interest bearing borrowings. The Company invests surplus cash in bank bills and term deposits at a fixed rate with an expiry date not greater than 90 days.

(ix) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company is not subject to any externally imposed capital requirements.

There were no changes in the approach to capital management during the year.

**BioDiem Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2009**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>6 Revenue</b>		
Licensing fees from Nobilon NBV.	<u>2,992,850</u>	<u>1,119,407</u>
<b>7 Net finance expenses / (income)</b>		
Interest income	<u>(164,096)</u>	<u>(333,417)</u>
Finance income	<u>(164,096)</u>	<u>(333,417)</u>
Realised foreign exchange loss	<u>83,826</u>	<u>78,312</u>
Finance expenses	<u>83,826</u>	<u>78,312</u>
Net finance costs / (income)	<u>(80,270)</u>	<u>(255,105)</u>
<b>8 Personnel expenses</b>		
Wages and salaries	215,956	706,870
Other associated personnel expenses	21,189	75,958
Increase/(decrease) in liability for annual leave	(5,944)	(26,414)
Increase/(decrease) in liability for long service leave	18,507	(6,617)
Equity-settled share based transactions	<u>4,239</u>	<u>84,776</u>
	<u>253,947</u>	<u>834,573</u>
<p>The amounts included in this note do not include amounts attributable to non-executive Directors. Directors' remuneration is included in the Directors' Remuneration Report, which forms part of the Directors' Report.</p>		
<b>9 Auditors' remuneration</b>		
Audit Services:		
Audit and review of financial reports - KPMG Australia	46,000	44,000
Other Services	-	-
	<u>46,000</u>	<u>44,000</u>

**BioDiem Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2009**

<b>10 Taxation</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
		<b>*restated</b>
<b>(a) Income tax benefit / (expense)</b>		
<b>Recognised in the income statement</b>		
<i>Current tax (benefit) / expense</i>		
Current year	(472,571)	(1,352,774)
Unrecognised deferred tax assets relating to tax losses	472,571	1,352,774
Adjustments for prior years	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
<i>Deferred tax (benefit) / expense</i>		
Origination and reversal of temporary differences	(169)	13,619
Change in unrecognised temporary differences	169	(13,619)
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Total income tax expense in income statement	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
No items of deferred tax expense have been recognised in equity.		
<b>(b) Reconciliation between income tax benefit / (expense) and before income tax net loss</b>		
Loss before income tax	<u>(1,513,742)</u>	<u>(4,470,506)</u>
Income tax (benefit) / expense calculated at domestic statutory tax rate of 30% (2008: 30%)	(454,123)	(1,341,152)
<i>Increase/(decrease) in income tax benefit / (expense) due to:</i>		
Tax incentives	(26,232)	(26,232)
Non-deductible expenses	7,784	14,610
Prior year under / (over) provision	-	-
Current year losses for which no deferred tax asset was recognised	472,571	1,352,774
Change in deferred tax assets	(169)	13,619
Change in unrecognised deferred tax assets	169	(13,619)
	<u>-</u>	<u>-</u>
Total income tax (benefit) / expense	<u>-</u>	<u>-</u>

\* Certain figures have been restated to be presented on a basis consistent with the current year.

**BioDiem Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2009**

<b>10 Taxation (continued)</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
		<b>*restated</b>
<b>(c) Unrecognised deferred tax assets</b>		
Deferred tax assets have not been recognised in respect of the following items:		
Deductible temporary differences	10,259	10,090
Tax losses carried forward	6,167,303	5,694,732
	<u>6,177,562</u>	<u>5,704,822</u>
<p>* Certain figures have been restated to be presented on a basis consistent with the current year. The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits from.</p> <p>Tax losses may be available to reduce the assessable income of BioDiem Ltd in future periods subject to the loss integrity rules being satisfied.</p>		
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>11 Cash and cash equivalents</b>		
Cash at bank and on hand	2,080,070	1,131,444
Short term deposits and bank accepted bills	1,911,829	4,461,914
Cash and cash equivalents in the statement of cash flows	<u>3,991,899</u>	<u>5,593,358</u>
The Company's sensitivity analysis on its financial assets is disclosed at note 19.		
<b>12 Trade and other receivables - current</b>		
Interest receivable	1,202	20,270
Other receivables	45,058	55,088
	<u>46,260</u>	<u>75,358</u>
The Company's exposure to credit and currency risks is disclosed at note 19.		
<b>13 Other assets - current</b>		
Prepayments	15,461	48,260
<b>14 Plant and equipment</b>		
At cost	155,423	155,423
Accumulated depreciation and impairment losses	(147,214)	(140,335)
Carrying amount	<u>8,209</u>	<u>15,088</u>

**BioDiem Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2009**

<b>14 Plant and equipment (continued)</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Cost</b>		
Balance at beginning of financial year	155,423	144,764
Acquisitions	-	10,659
Balance at end of financial year	<u>155,423</u>	<u>155,423</u>
<b>Accumulated depreciation and impairment losses</b>		
Balance at beginning of financial year	(140,335)	(130,887)
Depreciation charge for the year	(6,879)	(9,448)
Balance at end of financial year	<u>(147,214)</u>	<u>(140,335)</u>
Carrying amount at beginning of financial year	<u>15,088</u>	<u>13,877</u>
Carrying amount at end of financial year	<u>8,209</u>	<u>15,088</u>
 <b>15 Trade and other payables</b>		
<b>Current</b>		
Trade creditors	25,645	63,815
Other creditors and accruals	19,594	226,426
	<u>45,239</u>	<u>290,241</u>
The Company's exposure to currency and liquidity risks is disclosed at note 19.		
 <b>16 Employee benefits</b>		
<b>(a) Current</b>		
Liability for annual leave	1,396	7,340
Liability for long service leave	21,328	-
	<u>22,724</u>	<u>7,340</u>
<b>Non-Current</b>		
Liability for long service leave	<u>6,472</u>	<u>9,293</u>

**(b) Equity settled share based payments**

The Company has an Employees' and Officers' Incentive Option Scheme pursuant to which options may be issued to eligible persons, being directors', employees and consultants or their approved nominees. Eligible persons may receive options based on the achievement of specific performance hurdles, which are a blend of Company and personal objectives appropriate for the roles and responsibilities of each individual.

**BioDiem Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2009**

**16 Employee Benefits (continued)**

**(b) Equity settled share based payments (continued)**

Under the scheme signed in October 2006, the Company has the ability to issue options up to 5 percent of the issued capital. (As at 30 June 2009 there were 76,614,491 shares on hand).

When issued, the options will have an exercise price of not less than the average closing trading price of the Company's ordinary listed shares on the five days prior to issuing invitations to accept options under the scheme, will have an expiry date not later than five years after the date of issue, and will vest at such times as the Board with the advice from the Remuneration Committee may specify in the applicable invitation to accept the options.

On 1 March 2005, a total of 505,000 options were issued under an earlier plan. Key management personnel were issued with 470,000 options. The remaining 35,000 options were issued to employees. The options expired on 1 March 2009. Each option had an exercise price of \$0.70.

On 20 September 2005, a total of 40,000 options were issued under the plan to a director at an exercise price of \$0.70. The options expire on 20 September 2009.

On 27 July 2006, a total of 460,000 options were issued under the plan. Key management personnel were issued with 424,679 options. The remaining 35,321 were issued to employees. These options, which were restricted until 28 July 2007, expire on 27 July 2010. Each option has an exercise price of \$0.32.

On 20 September 2006, 100,000 options were issued to a director under the plan. These options can be exercised at any time, have an exercise price of \$0.26 cents and expire on 29 September 2010.

On 4 July 2007 the Company issued 539,635 options to Directors and staff of which 497,250 were issued to key management personnel. The remaining 42,385 were issued to employees. These options are restricted until 4 July 2008 and lapse on 4 July 2012. Each option has an exercise price of \$0.36.

On 1 July 2008, 80,000 options were issued to employees. These options are restricted until 1 July 2009 and lapse on 30 June 2013. Each option has an exercise price of \$0.14.

All options vest on the basis of one third per annum after the year of issue. There are no voting rights or dividend rights attached to these options. All these options expire on the earlier of the expiry date or the date that the individual ceases employment with the company.

No other options have been issued during the year, or in the previous year and there were no shares issued on exercise of options during the year or in the previous year.

**BioDiem Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2009**

**16 Employee benefits (continued)**

**(b) Equity settled share based payments (continued)**

Grant date	Number of Instruments	Vesting Conditions	Contractual life of options
Options grant to key management personnel at 20 September 2005	40,000	One third per annum after the year of issue	4 years
Options grant to key management personnel at 27 July 2006	199,005	One third per annum after the year of issue	4 years
Options grant to key management personnel at 20 September 2006	100,000	One third per annum after the year of issue	5 years
Options grant to key management personnel at 4 July 2007	157,769	One third per annum after the year of issue	5 years
Options grant to key management personnel at 1 July 2008	30,000	One third per annum after the year of issue	5 years
<b>Total share options</b>	<b>526,774*</b>		

\* The summary of options outstanding at 30 June 2009 excludes options that have been forfeited.

The number and weighted average exercise prices of share options is as follows:

	Weighted average exercise price 2009	Number of options 2009	Weighted average exercise price 2008	Number of options 2008
Outstanding options at 1 July	\$0.42	838,395	\$1.21	1,225,293
Forfeited during the period	\$0.59	(341,621)	\$1.20	(862,955)
Exercised during the period	-	-	-	-
Granted during the period	\$0.14	30,000	\$0.36	476,057
Outstanding at 30 June	\$0.34	526,774	\$0.42	838,395

The options outstanding at 30 June 2009 have an exercise price in the range of \$0.14 to \$0.70 and a weighted average contractual life of 4.25 years.

During the financial year, no options were exercised (2008: nil).

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the black-scholes option-pricing model with the following inputs:

	2009	2008
Share price	\$0.10	\$0.31
Exercise price	\$0.14	\$0.36
Expected volatility	107%	79%
Option life	5 years	5 years
Expected dividends	-	-
Risk-free interest rate (based on national government bonds)	7.60%	6.50%
Fair value at grant date	<b>\$0.08</b>	<b>\$0.18</b>

**BioDiem Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2009**

**16 Employee benefits (continued)**

**(c) Equity settled share based payments (continued)**

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

Share options are granted under a service condition and, for grants to key management personnel, market and non-market performance conditions. Non-market performance conditions are not taken into account in the grant date fair value measurement of the services rendered.

	<b>2009</b>	<b>2008</b>
	\$	\$
Share options granted in 2009 - equity settled	-	-
Share options granted in 2008 - equity settled	11,585	14,424
Share options granted in 2007 - equity settled	14,361	28,876
Share options granted in 2006 - equity settled	-	1,200
Share options granted in 2005 - equity settled	-	4,200
Total expense recognised as employee costs	25,946	48,700

The fair value of the options at grant date for the most recently issued share options is determined based on the Black-Scholes option pricing model. The model inputs were the share price of \$0.10 (2008: \$0.31) the exercise price of \$0.14 (2008: \$0.36), expected volatility of 107 per cent (2008: 79 per cent), expected dividends of zero per cent, a term of five years and a risk-free interest rate of 7.60 per cent (2008: 6.50 per cent).

**17 Capital and reserves**

**(a) Reconciliation of movement in capital and reserves**

	<b>Issued capital</b>	<b>Share based compensation reserve</b>	<b>Accumulated losses</b>	<b>Total equity</b>
	\$	\$	\$	\$
Balance at 1 July 2007	15,194,894	176,301	(12,688,146)	2,683,049
Net loss attributable to equity holders	-	-	(4,470,506)	(4,470,506)
Equity settled share based compensation	163,947	48,700	-	212,647
Proceeds from share issue	7,000,000	-	-	7,000,000
Balance at 30 June 2008	22,358,841	225,001	(17,158,652)	5,425,190
Balance at 1 July 2008	22,358,841	225,001	(17,158,652)	5,425,190
Net loss attributable to equity holders	-	-	(1,513,742)	(1,513,742)
Equity settled share based compensation	50,000	25,946	-	75,946
Balance at 30 June 2009	22,408,841	250,947	(18,672,394)	3,987,394

**BioDiem Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2009**

**17 Capital and reserves (continued)**

**(b) Issued capital**

	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>No.</b>	<b>No.</b>	<b>\$</b>	<b>\$</b>
On issue at 1 July – fully paid	76,281,159	52,385,756	22,358,841	15,194,894
Share issue (proceeds net of share issuance costs)	-	23,333,333	-	7,000,000
Equity settled share based compensation	333,332	562,070	50,000	163,947
On issue on 30 June – fully paid	<u>76,614,491</u>	<u>76,281,159</u>	<u>22,408,841</u>	<u>22,358,841</u>

**Share based compensation reserve**

The share based compensation reserve represents the cumulative value (based on grant date fair value) of outstanding and lapsed awards. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

**18 Notes to the statement of cash flows**

**(a) Reconciliation of cash**

For the purposes of the statement of cash flows, cash includes cash on hand and at bank, short term deposits at call and bank accepted bills with a maturity of less than 90 days. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	<b>Note</b>	<b>2009</b>	<b>2008</b>
		<b>\$</b>	<b>\$</b>
Cash and cash equivalents	11	<u>3,991,899</u>	<u>5,593,358</u>

**BioDiem Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2009**

**18 Notes to the statement of cash flows (continued)**

<b>(b) Reconciliation of profit /(loss) after income tax to net cash provided by /(used in) operating activities</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Profit / (loss) attributable to equity holders	(1,513,742)	(4,470,506)
Adjustments for:		
Depreciation	6,879	9,448
Net finance expenses	83,826	78,312
Equity-settled share based payment expenses	75,945	212,647
Operating profit /(loss) before changes in working capital and provision	(1,347,092)	(4,170,099)
(Increase)/decrease in trade and other receivables	29,099	(35,334)
(Increase)/decrease in prepayments	32,799	(33,404)
Increase/(decrease) in trade and creditors	(38,170)	(19,172)
Increase/(decrease) in other creditors and accruals	(206,832)	23,590
Increase/(decrease) in employee benefit liabilities	12,563	(42,814)
Net cash used in operating activities	<u>(1,517,633)</u>	<u>(4,277,233)</u>

**19 Financial instruments**

Exposure to liquidity, credit and currency risks arises in the normal course of the Company's business.

**(a) Liquidity risk**

The Company's exposure to liquidity risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

<b>2009</b>	<b>Note</b>	<b>Effective interest rate</b>	<b>Total</b>	<b>6 months or less</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>More than 5 years</b>
<b><i>Financial assets</i></b>								
Cash and cash equivalents	11	3.41%	3,991,899	3,991,899	-	-	-	-
Trade and other receivables	12	-	46,260	46,260	-	-	-	-
			4,038,159	4,038,159	-	-	-	-
<b><i>Financial liabilities</i></b>								
Trade and other payables	15	-	45,239	45,239	-	-	-	-

**BioDiem Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2009**

**19 Financial instruments**

**(a) Liquidity risk (continued)**

2008	Note	Effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<i>Financial assets</i>								
Cash and cash equivalents	11	6.79%	5,593,358	5,593,358	-	-	-	-
Trade and other receivables	12	-	75,358	75,358	-	-	-	-
			5,668,716	5,668,716	-	-	-	-
<i>Financial liabilities</i>								
Trade and other payables	15	-	290,241	290,241	-	-	-	-

**(b) Foreign currency risk**

Foreign currency transactions are translated to Australian dollars at the rates of exchange ruling at the dates of the transactions. BioDiem Ltd does not enter into any derivative contracts to hedge transactions denominated in foreign currencies. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the income statement in the financial year in which the exchange rates change.

There were no foreign currency receivables or payables at balance date (2008: \$nil and \$nil). As at 30 June 2009, there was a bank account held in US dollars for an amount of US\$1,377,789. A 10 percent strengthening of the Australian dollar against the US dollar would have decreased profit by \$155,629. A 10 percent weakening of the Australian dollar against the US dollar would have increased profit by \$190,213.

**(c) Credit risk**

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised, as counterparties are recognised financial intermediaries, with acceptable credit ratings determined by a recognised ratings agency.

At balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

**(d) Guarantees**

The Company has in place term deposits amounting to \$1,911,829 (2008: \$85,000). \$1,822,257 is invested in short dated Term deposits to assist in funding the activities of the Company, the balance is in support of its undertakings under a guarantee for \$33,207 (2008: \$31,498) in accordance with its rental lease and \$56,365 (2008: \$53,502) on account of the Company's credit cards.

**(e) Net fair values of financial assets and liabilities**

The carrying amounts of all financial assets and liabilities approximate net fair value.

**BioDiem Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2009**

**20 Operating lease commitments**

Non cancellable future operating lease rentals payable but not provided for in the financial statements as a liability:	<b>2009</b>	<b>2008</b>
	\$	\$
Within one year	118,044	110,328
Later than one year and no later than five years	299,018	372,357
	<u>417,062</u>	<u>482,685</u>

The entity leases property under a non-cancellable operating lease. The lease has a five year term from November 15, 2007.

**21 Contingent liabilities**

The Company has acquired a licence to commercialise influenza vaccine technologies from the Institute of Experimental Medicine. Under this agreement the Company is obliged to pay the Institute of Experimental Medicine 20 percent of all payments received from any Licensee and a percentage of any royalties arising from net sales.

The Company has a licence to commercialise certain technologies from the OOO Klinika Instituta Bioregulyatsii I Gerontologii (“the Clinic”). The licence is in relation to retinal eye disease. The Company is obliged to pay the Clinic 20 percent of all payments received from any Licensee and a percentage of any royalties arising from net sales.

**22 Earnings per share**

<b>Earnings reconciliation</b>	<b>2009</b>	<b>2008</b>
	\$	\$
Basic earnings	<u>(1,513,742)</u>	<u>(4,570,506)</u>
Diluted earnings	<u>(1,513,742)</u>	<u>(4,570,506)</u>

**Weighted average number of shares used as a denominator**

*Number for basic earnings per share*

Ordinary shares	76,413,103	66,840,506
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*Number for diluted earnings per share*

Ordinary shares	76,413,103	66,840,506
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Potential ordinary shares issued under the Company’s employee share option plan are not considered dilutive because the conversion of potential ordinary shares into ordinary shares would decrease the loss per share.

**BioDiem Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2009**

**23 Related party disclosures for disclosing entities**

The following were key management personnel of the Company at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

**Non Executive Directors**

Mr H Morgan (Chairman)  
 Mr D Brooks  
 Dr L Rudenko  
 Dr J Brown

**Executive Directors**

Dr. A O'Brien (resigned 24 February 2009)

**Executives**

Mr D Baillieu

The key management personnel's compensation was as follows:

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	1,138,504	1,194,159
Other long term benefits	-	-
Post-employment benefits	18,900	59,939
Termination benefits	180,000	291,443
Equity settled share based compensation	71,706	193,538
Total key management personnel compensation	<u>1,409,110</u>	<u>1,739,079</u>

**Individual directors and executive compensation disclosures**

Information regarding individual directors and executives compensation is provided in the Remuneration Report section of the Directors' report on pages 15 to 21.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

**Employee Options**

The fair value of the options is calculated at the date of grant using a Black-Scholes methodology and allocation to each reporting period over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting date.

## 23 Related party disclosures for disclosing entities (continued)

### Options over equity instruments granted as compensation

The movement during the reporting period in the number of options over ordinary shares in BioDiem Ltd held directly, indirectly or beneficially, by each key management personnel, including their related parties, is as follows:

Options	Held at 1 July 2008	Granted as compensation	Exercised	Other changes *	Held at 30 June 2009	Vested during the year	Vested and exercisable at 30 June 2009
<i>Directors</i>							
Mr H Morgan	108,288	-	-	-	108,288	36,095	74,143
Mr D Brooks	98,288	-	-	(30,000)	68,288	22,762	34,143
Dr L Rudenko	183,668	-	-	(40,000)	143,668	47,889	84,397
Dr. A O' Brien	168,288	-	-	(168,288)	-	22,762	-
Dr. J Brown	134,144	-	-	-	134,144	11,381	111,381
	692,676	-	-	(238,288)	454,388	140,889	304,064
<i>Executives</i>							
Mr D Baillieu	67,386	30,000	-	(25,000)	72,386	24,128	31,192

Options	Held at 1 July 2007	Granted as compensation	Exercised	Other changes *	Held at 30 June 2008	Vested during the year	Vested and exercisable at 30 June 2008
<i>Directors</i>							
Mr H Morgan	74,144	34,144	-	-	108,288	24,714	38,048
Mr T Williams	315,000	250,000	-	(565,000)	-	51,666	-
Dr R Borland	174,144	34,144	-	(208,288)	-	11,381	-
Mr D Brooks	144,144	34,144	-	(80,000)	98,288	21,381	41,381
Dr L Rudenko	249,524	34,144	-	(100,000)	183,668	49,841	76,508
Dr. A O' Brien	134,144	34,144	-	-	168,288	44,381	111,381
Dr. J Brown	100,000	34,144	-	-	134,144	-	100,000
	1,191,100	454,864	-	(953,288)	692,676	203,364	367,318
<i>Executives</i>							
Mr D Baillieu	106,193	21,193	-	(60,000)	67,386	15,397	32,064

\* Other changes represent options that expired or were forfeited during the year. The value of these options calculated at the date of expiry or forfeiture using a Black-Scholes option-pricing model was \$nil.

No options held by key management personnel are vested but not exercisable.

## 23 Related party disclosures for disclosing entities (continued)

### Movement in shares

The movement during the reporting period in the number of ordinary shares in BioDiem Ltd held, directly or indirectly or beneficially, by each key management person, including their related parties, is as follows:

Shares	Held at 1 July 2008	Purchases	Received on exercise of options	Received as compensation	Sales	Held at 30 June 2009
<i>Directors</i>						
Mr H Morgan	9,872,728	-	-	-	(413,000)	9,459,728
Mr D Brooks	19,030	-	-	-	-	19,030
Dr L Rudenko	-	-	-	-	-	-
Dr. A O' Brien *	-	-	-	-	-	-
Dr J Brown	269,928	-	-	333,332	-	603,260
	10,161,686	-	-	333,332	(413,000)	10,082,018
<i>Executives</i>						
Mr D Baillieu	1,300,000	-	-	-	-	1,300,000
	1,300,000	-	-	-	-	1,300,000

\* resigned 24 February 2009

Shares	Held at 1 July 2007	Purchases	Received on exercise of options	Received as compensation	Sales	Held at 30 June 2008
<i>Directors</i>						
Mr H Morgan	8,104,613	1,666,667	-	101,448	-	9,872,728
Mr T Williams **	946,250	-	-	-	(946,250)	-
Dr R Borland *	684,919	-	-	-	(684,919)	-
Mr D Brooks	19,030	-	-	-	-	19,030
Dr L Rudenko	-	-	-	-	-	-
Dr. A O' Brien	-	-	-	-	-	-
Dr J Brown	72,464	-	-	197,464	-	269,928
	9,827,276	1,666,667	-	298,912	(1,631,169)	10,161,686
<i>Executives</i>						
Mr D Baillieu	1,300,000	-	-	-	-	1,300,000
	1,300,000	-	-	-	-	1,300,000

\* resigned 30 November 2007

\*\* resigned 6 September 2007

## **23 Related party disclosures for disclosing entities (continued)**

During the year one director participated in the Salary sacrifice plan. As a consequence 333,332 (2008: 298,912) shares have been issued to Dr Brown. The valuation of shares issued was \$0.12 per share for 208,332 shares and \$0.20 per share for 125,000 shares (2008: \$0.345 for 173,912 and \$0.20 for 125,000).

### **Other related party transactions with the Company**

Dr Rudenko is Head of the Virology Department in the Institute of Experimental Medicine (“the Institute”). Dr Rudenko received total fees amounting to \$155,500 for research and development services (2008: 158,000). During the course of the year the Company paid licence fees and royalties amounting to \$575,744 (2008: \$223,881) to the Institute. In addition, research and development costs amounting to \$90,755 (2008: \$75,874) were also paid to the Institute.

Dr John Brown received total fees amounting to \$506,865 (2008: \$298,964 including director’s fees of \$50,000 paid in the form of shares in the Company.). \$362,040 was for the provision of research and development services during the year in particular to the BDM-E program. \$94,825 for additional corporate services and \$50,000 of director’s fees paid in the form of shares in the Company.

The Company paid total fees of \$420,000 (2008: \$278,363) to Grannus Securities Pty Ltd, a company related to Dr A O’Brien for the management of the executive activities of BioDiem. The agreement with Grannus was terminated in February 2009.

## **24 Segment reporting**

The Company operates in the biopharmaceutical industry developing and/or commercialising biomedical research. The operations are predominantly in Australia.

## **25 Subsequent events**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the entity, the results of those operations or the state of affairs of the entity in future financial years.